

**LOCAL AGENCY FORMATION COMMISSION OF SANTA CLARA COUNTY**  
**MINUTES**  
**WEDNESDAY, APRIL 13, 2005**

**1. ROLL CALL**

The Local Agency Formation Commission (LAFCO) of Santa Clara County convenes the 13<sup>th</sup> day of April 2005 at 1:20 p.m. in the Chambers of the Board of Supervisors, County Government Center, 70 West Hedding Street, San Jose, California, with the following members present: Chairperson John Howe, Commissioners Donald Gage, Linda J. LeZotte and Blanca Alvarado. Commissioner Susan Vicklund-Wilson arrives at 1:43 p.m.

The LAFCO staff in attendance includes Neelima Palacherla, LAFCO Executive Officer; Kathy Kretchmer, LAFCO Counsel and Dunia Noel, LAFCO Analyst.

Chairperson Howe calls the meeting to order and the following proceedings are had, to wit:

**2. PUBLIC PRESENTATIONS**

Brian Schmidt, Committee for Green Foothills, addresses the Commission regarding the recent permission given by the California Public Utilities Commission (CPUC) to the Great Oaks Water Company for extension of water service by Great Oaks into Almaden Valley. He emphasizes that this is not within LAFCO purview; however, since it presents a significant problem of creeping urbanization, he requests that LAFCO monitor the situation.

Neelima Palacherla, Executive Officer, notes that staff has sent a letter to the CPUC. LAFCO has no jurisdiction over Great Oaks Water Company; however, LAFCO apprised the CPUC that extension of water service into Almaden Valley is not consistent with LAFCO policies and the County's General Plan.

Commissioner Wilson arrives at 1:43 p.m.

### **3. APPROVE MINUTES OF FEBRUARY 9, 2005 MEETING**

The minutes of the February 9<sup>th</sup> meeting, are not available and will be prepared for the next LAFCO meeting in June.

### **4. COUNTYWIDE WATER SERVICE REVIEW REPORT**

Carolyn Schaffer, Project Manager (Dudek and Associates) for the Water Service Review, reports that LAFCO formed a Technical Advisory Committee (TAC) composed of LAFCO staff; Commissioner Wilson; Jay Baksa, City Administrator, Gilroy; Jim Ashcraft, Public Works Director, Morgan Hill; Darryl Wong, Utilities Engineer, Milpitas; Walt Wadlow, Chief Operating Officer, Santa Clara Valley Water District; and George Belhumeur, Vice President of Operations, San Jose Water Company.

Ms. Schaffer advises that an initial questionnaire was completed by the agencies and reviewed by the TAC, which then met with the agencies to discuss their concerns and clarify responses to the questionnaire. The Technical Draft was released in mid-February for review by TAC and the agencies. Their comments were incorporated into the Revised Draft for public review. The final public hearing on the service review will be held in June.

The comprehensive review included both public and private water companies. Public agencies are under LAFCO purview; private purveyors are not; however, the private purveyors were encouraged to participate. Great Oaks was the only private company that elected not to participate.

Ms. Schaffer reviews the schematic showing the various water districts, departments, and sub-basins. She explains that the San Martin area received much consideration since water quality is seriously impacted by perchlorates and nitrates in that area. The State has encouraged small water systems to join with public systems. Significant expansion is being planned in the Coyote Valley although there have been no formal determinations on water demand or sources. Some parts of the Coyote Valley are outside San Jose's Urban Service Area and applications will come before LAFCO for expansion.

Guadalupe Coyote Resource Conservation District (RCD) in the North County primarily serves the area outside the Valley, while Loma Prieta RCD in the South County serves most of the area except small parts of Gilroy, Morgan Hill, and San Martin. Guadalupe Coyote RCD is watershed-oriented, and also is involved in education and research. The Loma Prieta RCD works more with rural landowners, advising as to the best use of land, septic systems, fire-resistant plants, and other issues.

Carle Hylkema, Director of Guadalupe Coyote RCD, expresses willingness to look at economies of scale and points out that the Santa Clara Valley Water District and RCD have different goals and that it is infeasible to merge the two districts.

Commissioner LeZotte expresses appreciation to LAFCO staff for the report and notes that the San Jose City Planning Department did not receive a copy. Ms. Palacherla explains that LAFCO sent notices to all city managers, planning directors, City Councils, special district managers and others who asked to be notified. The notice stated that the report was posted on the website and gave the date and time of the hearing. The notice also reflected that public comment could be made at the hearing or submitted in writing. The report is more than 200 pages long; maps are included as downloads. LAFCO will take public comment until and including the June 8, 2005 public hearing.

On motion of Commissioner Gage, seconded by Commissioner Alvarado, it is unanimously ordered that staff be directed to prepare the final report and set the hearing date of June 8, 2005 at 1:15 p.m.

##### **5. PROPOSED LAFCO BUDGET FOR FISCAL YEAR 2006**

Ms. Palacherla reports that, at the February 9, 2005 LAFCO meeting, Commissioners appointed a Budget Subcommittee composed of Commissioners Gage and LeZotte and LAFCO staff. The Subcommittee developed a draft budget for Commission consideration.

She continues by reporting that the proposed budget for Fiscal Year 2005-2006 is \$649,776. She notes that the Cortese Knox Hertzberg Local Government Reorganization Act (CKH Act) of 2000 requires that LAFCO adopt a draft budget by May 1 each year

and a final budget by June 15 at noticed public hearings. The CKH Act requires that the budget be at least equal to that of the previous year unless the Commission finds that statutory responsibilities can be fulfilled in spite of reduced staffing or program costs.

Ms. Palacherla further advises the Commission that service reviews and facilitation of island annex policy will be LAFCO's focus in 2006. Following the June 8, 2005 public hearing on the Water Service Review Report, LAFCO staff will begin sub regional service reviews and Sphere of influence studies for fire districts and water districts. Other items in the work plan include hiring and training of a new LAFCO Clerk, and update of LAFCO policies, web site and database. The LAFCO annual report at the end of the current fiscal year will detail the current year's LAFCO activities. Despite no increase in cost or staffing, the proposed budget is seven percent higher than that of the current year. Contract services includes \$45,000 for a consultant to conduct the sub regional service review, with the remaining \$55,000 designated for consultants who will provide assistance to cities developing annexation plans.

Ms. Palacherla states that revenues from application fees are anticipated to be much lower than in the previous year. Net operating expense is equal to expenditures less revenues less projected year-end savings. Fifty percent of costs are apportioned to the County, 25 percent to the City of San Jose, and 25 percent among the other 14 cities, based on their total revenues as reported in the 2002-2003 State Controller's Report.

The Chairperson determines that there is no additional public comment.

On motion of Commissioner Gage, seconded by Commissioner Alvarado, it is unanimously ordered that the proposed LAFCO budget be adopted for Fiscal Year 2006 and that staff be authorized to transmit the proposed budget, as well as the notice for public hearing scheduled for June 8, 2005 on the adoption of the Final Budget for Fiscal Year 2006, to each of the cities, the County, and the Cities Association.

## **6. UPDATE ON ISLAND ANNEXATION EFFORTS**

Dunia Noel, LAFCO Analyst, reminds the Commission that LAFCO adopted the Island Annexation Policies in February 2005 to encourage cities to annex urban

unincorporated islands. LAFCO staff attended the March 23, 2005 Mayors and City Managers of West Valley Cities monthly meeting and the Los Gatos City Council's April 4, 2005 study session on island annexations. The cities are seeking County assistance with road improvements and the annexation processing costs. They also requested LAFCO assistance in development of plans and gathering of technical information. She further notes that LAFCO's proposed budget includes some funds for this purpose. LAFCO staff have spoken to representatives from San Jose, Los Altos, Los Altos Hills, and Cupertino, who requested similar assistance. LAFCO staff will prepare background information for cities and will continue to hold workshops and meet with city staff to review procedures.

Ms. Noel continues by informing the Commission that the County Planning Office is in the process of producing revised maps of urban unincorporated islands, and the maps will be included on the LAFCO website. Ms. Palacherla states that LAFCO staff have attended a Los Gatos City Council preliminary study session. Commissioner Alvarado comments on the need for a process to update LAFCO on specific jurisdiction's requests and what issues and incentives might be involved. She expresses concern about running out of time since authority for the streamlined process expires at the end of 2007. Commissioner Alvarado asks whether there has been consideration of asking for an extension of statutes allowing streamlined annexation. She references a letter that she and Commissioner Gage wrote to the County Executive regarding costs, requirements, and fees. She emphasizes the need to work in a unified manner.

Commissioner LeZotte expresses agreement and notes that city mayors and managers are also concerned about the timeframe and have asked questions regarding responsibility for road improvements, benefits, and development standards. She states that there is a need to prioritize timing and take a more aggressive stance in order not to miss the window of opportunity.

Commissioner Wilson reports that the CALAFCO Legislative Committee has discussed the issue of possible extension of the timeline with the State Legislature, and she comments that she will keep Commissioners updated.

Commissioner Alvarado suggests that LAFCO start with one area in San Jose as a pilot to show how annexation works. Commissioner Gage suggests that the members of the Board of Supervisors reconfirm with cities that the cities still want to annex islands. Ms. Palacherla advises that LAFCO staff will provide updates to Commissioners. Commissioner Howe expresses concern that costs to cities are unknown, and he states that annexation must be made revenue neutral. He suggests that LAFCO speak to the Cities Association to address the positive benefits of annexation now rather than later and to specifically address costs. Commissioner Alvarado notes that the City of Cupertino made a choice to annex without any incentive from the County because the City knew it was the right action. She further comments that lighting, curbs, and sidewalks have been overlooked in unincorporated parts of cities with poor neighborhoods.

## **7. SUB-REGIONAL SERVICE REVIEWS**

Ms. Noel states that LAFCO has received proposals from three firms to perform the service reviews. She advises that a consultant selection committee has been formed to interview the firms on April 19, 2005, and will select one of the firms and will negotiate a final agreement, including budget, schedule, and scope of services. Two Technical Advisory Committees (TACs) are being formed, with Commissioner Gage on the South-Central Sub-Regional Service Review TAC, which will meet in mid-May, and Commissioner Howe on the northwestern sub-regional service review TAC, which may not meet until year-end. Ms. Noel explains that each TAC will also include LAFCO staff, along with one representative each from Santa Clara County Special Districts Association, City Managers Association, Santa Clara County Municipal Public Works Officials Association, and the Santa Clara County Planning Officials Association.

## **8. PENDING APPLICATIONS**

There are none.

## 9. WRITTEN CORRESPONDENCE

Ms. Palacherla directs attention to the letter from the County in response to the City of Monte Sereno's request for clarification of County General Plan policy with regard to development within the City's urban service area and sphere of influence.

## 10. ADJOURNMENT

On motion of the Chairperson, there being no objection, the meeting is adjourned at 2:33 p.m. in honor of Mary Lou Zoglin, former LAFCO Member.

The next regular LAFCO meeting is scheduled to be held on Wednesday, June 8, 2005 at 1:15 p.m. in the Chamber of the Board of Supervisors, County Government Center, 70 West Hedding Street, San Jose, California.

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John Howe, Chairperson  
Local Agency Formation Commission

ATTEST:

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Martha Jurick, Deputy Clerk